

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

CYWEE GROUP LTD.,

Plaintiff,

v.

HTC CORPORATION, et al.,

Defendants/Third-Party Plaintiffs,

v.

CYWEE MOTION GROUP LTD.,

Third-Party Defendant.

CASE NO. C17-0932JLR

ORDER ON THIRD-PARTY
DEFENDANT'S MOTION FOR
SUMMARY JUDGMENT AND
ON CROSS-MOTIONS FOR
STAY

~~PROVISIONALLY FILED~~
~~UNDER SEAL~~

I. INTRODUCTION

Before the court are three motions. First, Third-Party Defendant CyWee Motion Group Ltd. ("CyWee Motion") moves for summary judgment against Defendants and Third-Party Plaintiffs HTC Corporation ("HTC Corp.") and HTC America, Inc. ("HTC America") (collectively, "HTC"). (MSJ (Dkt. # 107).) HTC opposes CyWee Motion's

summary judgment motion. (Resp. (Dkt. ## 112 (redacted), 113 (sealed).) Second, Plaintiff CyWee Group Ltd. (“CyWee Group”) and CyWee Motion (collectively, “CyWee”) move for a partial stay of this matter pending *inter partes* review (“IPR”) proceedings. (CyWee MTS (Dkt. # 123).) Third, HTC cross-moves for a complete stay pending IPR proceedings. (HTC MTS (Dkt. # 126).) The court has considered the motions, the parties’ submissions concerning the motions, the relevant portions of the record, and the applicable law. Being fully advised,¹ the court DENIES CyWee Motion’s motion for summary judgment without prejudice to refile according to the timeline set forth herein. The court further GRANTS in part and DENIES in part CyWee’s motion for a partial stay and GRANTS in part and DENIES in part HTC’s motion for a complete stay.

II. BACKGROUND

This case features patent infringement and other disputes between technology companies. The court identifies the parties before summarizing the factual and procedural background.

A. The Parties

CyWee Group provides products and services in the areas of “motion processing, wireless high definition video delivery, and facial tracking technology.” (SAC (Dkt.

¹ CyWee Motion and HTC request oral argument on CyWee Motion’s summary judgment motion (*see* MSJ at Title Page; Resp. at Title Page), and HTC requests oral argument on its cross-motion for a complete stay (*see* HTC MTS at Title Page), but the court finds that oral argument is unnecessary to its disposition of the motions, *see* Local Rules W.D. Wash. LCR 7(b)(4).

61) ¶ 2.) CyWee Group owns two patents protecting technology that detects, measures, and calculates the movements of machines: United States Patent No. 8,441,438 and United States Patent No. 8,552,978 (collectively, “the Patents-in-Suit”). (*Id.* ¶¶ 15, 20-22, 122-24.) CyWee Motion, which is “affiliated” with CyWee Group, specializes in “wireless streaming, facial tracking, and motion processing technology solutions for home entertainment and mobile devices.” (CyWee Motion Am. Countercl. (Dkt. # 104) ¶ 7.)

HTC Corp. manufactures consumer electronics, including mobile phones and tablets. (SAC ¶ 3; Answer to SAC (Dkt. # 62) ¶ 3.) HTC America, a wholly-owned subsidiary of HTC Corp., imports and sells HTC Corp.’s mobile phones and tablets in the United States. (SAC ¶ 4; Answer to SAC ¶ 4.)

B. Factual Background

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

² HTC also filed a sealed copy of the License Agreement. (*See* Yoon Decl. (Dkt. # 112-1) ¶ 14, Ex. 3 (sealed).) When citing the License Agreement, the court cites specific paragraph numbers, where applicable. Where no paragraph number corresponds to the cited material, the court cites the Bates number at the bottom-right corner of the document.

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED] CyWee

9 Motion, Inc. is a wholly-owned subsidiary of CyWee Motion. (Liou Decl. (Dkt. # 107-2)

10 ¶ 2.)

11 [REDACTED]
12 [REDACTED]
13 [REDACTED] Specifically, HTC

14 integrated into its mobile phones STM sensor hub modules with CyWee Software. (*Id.*

15 ¶ 4.) Whenever HTC required new sensor fusion functionalities, “HTC would request the

16 support from CyWee Motion to develop the new functionalities in the CyWee Software.”

17 (*Id.* ¶ 6.) [REDACTED]
18 [REDACTED]

19 [REDACTED] HTC asserts that “CyWee Motion provided each
20

21 ³ Both CyWee Motion and HTC imply that that the [REDACTED]
22 [REDACTED]. (See CyWee Motion Am. Countercl. ¶ 9; HTC MTS at 2.)
As discussed below, however, on the record before the court, the relationship between the
Patents-in-Suit and the CyWee Software remains unclear. See *infra* § III.B.2.

1 version of the CyWee Software directly to HTC in binary form” and “did not place any
2 restrictions on HTC’s use of the CyWee Software in HTC devices.” (*Id.* ¶¶ 7-8.) HTC
3 further contends that it understood that CyWee Motion was compensated for the CyWee
4 Software [REDACTED] and that CyWee
5 Motion “has never requested payment from HTC for the integration and use of CyWee
6 Software in HTC devices.” (*Id.* ¶ 8.)

7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]

14 The same day, CyWee Motion notified HTC [REDACTED]
15 [REDACTED] (CyWee Motion Am. Countercl. ¶ 18, Ex. B at 1.⁵) CyWee Motion
16 demanded that HTC “immediately cease and desist any use of [the CyWee S]oftware”
17 and “immediately return any and all copies of the software to CyWee Motion.” (*Id.*)

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20 ⁴ Although CyWee Motion’s amended counterclaims authenticate Exhibit A, the exhibit
21 is appended to CyWee Motion’s counterclaims. (*See* CyWee Motion Countercl. (Dkt. # 102)
22 ¶ 17, Ex. A.)

⁵ Although CyWee Motion’s amended counterclaims authenticate Exhibit B, the exhibit
is appended to CyWee Motion’s counterclaims. (*See* CyWee Motion Countercl. ¶ 18, Ex. B.)

CyWee Motion contends that HTC refused to return its copies of the CyWee Software and, to this day, continues to use the CyWee Software in HTC devices. (MSJ at 2.)

C. Procedural History

On June 16, 2017, CyWee Group filed an action for patent infringement against HTC, alleging that certain HTC devices impermissibly practice the Patents-in-Suit. (*See* Compl. (Dkt. # 1); *see also* SAC.) This suit is one of seven pending cases in which CyWee Group alleges that a technology company has infringed the Patents-in-Suit. (*See* CyWee Motion MTS at 2 n.7 (listing cases).) Among other affirmative defenses, HTC asserts that CyWee Group's patent infringement claims are barred by the patent exhaustion doctrine and that HTC holds "an express or implied license" to practice the Patents-in-Suit. (Answer to SAC at 19.) In addition, HTC brings counterclaims against CyWee Group for declaratory judgments of patent invalidity and noninfringement. (*Id.* ¶¶ 26-41.)

On January 11, 2018, HTC filed a third-party complaint against CyWee Motion and STM. (TPC (Dkt. # 43).) HTC alleged that the STM components HTC purchased for incorporation into the accused HTC products were covered by the License Agreement, such that STM was obligated to indemnify and defend HTC against CyWee Group's patent infringement claims. (*Id.* ¶¶ 23, 39-50.) HTC also brought a claim for unfair business practices under Washington law against CyWee Motion and sought contribution from both CyWee Motion and STM. (*Id.* ¶¶ 51-61.)

On May 31, 2018, HTC filed a stipulated motion to dismiss with prejudice all its claims against STM. (Stip. MTD (Dkt. # 93); *see also* 6/1/18 Order (Dkt. # 94) at 2

(granting the stipulated motion to dismiss.) HTC now represents that it agreed to dismiss its claims against STM because STM threatened to stop supplying HTC with STM sensor hub modules if the litigation continued.⁶ (Siddiqui Decl. (Dkt. # 113-2) ¶¶ 5-6 (sealed).)

On September 26, 2018, approximately two months after terminating the License Agreement, CyWee Motion filed counterclaims against HTC for conversion, unjust enrichment, and declaratory judgment of unauthorized possession. (*See* CyWee Motion Countercl. (Dkt. # 102) ¶¶ 20-33; *see also* CyWee Motion Am. Countercl. ¶¶ 20-38.) Additionally, on November 19, 2018, CyWee Motion asserted a replevin claim against HTC. (*See* CyWee Motion Am. Countercl. ¶¶ 24-27.) In brief, CyWee Motion alleges that HTC impermissibly retained possession of the CyWee Software after CyWee Motion terminated the License Agreement. (*Id.* ¶¶ 17-19.) On November 28, 2018, CyWee Motion filed the present motion for summary judgment on its conversion and replevin claims. (*See* MSJ.)

On March 4, 2019, CyWee filed a motion to partially stay this case pending IPR proceedings involving the Patents-in-Suit. (*See* CyWee MTS at 2.) Months earlier, in connection with an unrelated suit, non-party Google, Inc. filed IPR petitions with the Patent and Trademark Office's Patent Trial and Appeal Board ("PTAB"), seeking to

⁶ HTC also asserted claims against STMicroelectronics, Inc., an affiliate of STM. (*See generally* 3d-Party Compl. (Dkt. # 43).) HTC's claims against STMicroelectronics, Inc. were dismissed with prejudice. (4/23/18 Order (Dkt. # 79) at 1.) Additionally, HTC withdrew its motion for leave to file an amended third-party complaint, which would have asserted claims against STMicroelectronics Asia Pacific Ltd., another STM affiliate. (*See* Mot. for Leave to File Am. 3d-Party Compl. (Dkt. # 87) at 2; 6/1/18 Order at 2.)

1 invalidate claims in each of the Patents-in-Suit. (*Id.* (citing *CyWee Grp. v. Google, Inc.*
2 No. 1-18-cv-00571 (D. Del.).) The PTAB granted Google, Inc.’s IPR petitions on
3 December 11, 2018. (*Id.*) CyWee now seeks to stay CyWee Group’s patent infringement
4 claims against HTC, HTC’s patent invalidity and noninfringement counterclaims against
5 CyWee Group, and HTC’s third-party claims against CyWee Motion for contribution and
6 unfair business practices. (*Id.* at 4.) In other words, CyWee seeks to stay all claims
7 except CyWee Motion’s counterclaims against HTC. (*See id.*) HTC cross-moves for a
8 complete stay pending the outcome of the IPR proceedings. (*See generally* HTC MTS at
9 1.)

10 The court now considers the motions.

11 III. ANALYSIS

12 A. Summary Judgment Motion

13 CyWee Motion argues that it is entitled to summary judgment on its conversion
14 and replevin claims because there is no genuine dispute that HTC continued to use the
15 CyWee Software “without authorization” after CyWee Motion terminated the License
16 Agreement. (MSJ at 7-8; *see also* Reply at 3.) HTC contends that the court should deny
17 the motion pursuant to Federal Rule of Civil Procedure 56(d) because CyWee Motion
18 filed the motion before HTC could conduct sufficient discovery on CyWee Motion’s
19 cross-counterclaims and HTC’s affirmative defenses to those claims. (Resp. at 1-2,
20 13-14, 23; Yoon Decl. ¶ 10); *see also* Fed. R. Civ. P. 56(d). HTC also asserts that
21 genuine disputes of material fact preclude summary judgment. (Resp. at 17-22.) The

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1 court finds that HTC is entitled to relief under Rule 56(d) and thus does not reach the
 2 merits of CyWee Motion's summary judgment motion.

3 1. Conversion and Replevin

4 Before addressing HTC's arguments under Rule 56(d), the court summarizes the
 5 standards that govern CyWee Motion's conversion and replevin claims. Under
 6 Washington law, conversion "occurs when a person intentionally interferes with chattel
 7 belonging to another, either by taking or unlawfully retaining it, thereby depriving the
 8 rightful owner of possession." *Alhadeff v. Meridian on Bainbridge Island, LLC*, 220 P.3d
 9 1214, 1223 (Wash. 2009). "Wrongful intent is not an element of conversion, and good
 10 faith is not a defense." *Brown ex rel. Richards v. Brown*, 239 P.3d 602, 610 (Wash. Ct.
 11 App. 2010). "'Chattel' includes both tangible and intangible goods, such as corporate
 12 property." *Lang v. Hougan*, 150 P.3d 622, 637 (Wash. Ct. App. 2007).

13 In a replevin action, a plaintiff "must prove its title and right to possession" of the
 14 property at issue. *Crystal Recreation, Inc. v. Seattle Ass'n of Credit Men*, 209 P.2d 358,
 15 361 (Wash. 1949). Under Washington law, replevin is a statutory cause of action. *See*
 16 *Graham v. Notti*, 196 P.3d 1070, 1072 (Wash. Ct. App. 2008) (citing RCW 7.64.020(2)).
 17 A plaintiff bringing a replevin action must show: (1) that "the plaintiff is the owner of
 18 the property or is lawfully entitled to the possession of the property by virtue of a special
 19 property interest"; (2) that "the property is wrongfully detained" by the defendant; (3)
 20 that "the property has not been taken for a tax, assessment, or fine pursuant to a statute";
 21 and (4) that "[t]he approximate value of the property." *Graham*, 196 P.3d at 1072. In

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1 replevin, the plaintiff “seeks a return of his goods, and damages for the interruption to his
2 possession.” *Hoff v. Lester*, 168 P.2d 409, 413 (Wash. 1946).

3 CyWee Motion’s theories of conversion and replevin are straightforward. In
4 short, CyWee Motion argues that HTC wrongfully retained possession of the CyWee
5 Software after the termination of the License Agreement. According to CyWee Motion,
6 “when the [License Agreement] was terminated, HTC’s right to possess and use the
7 CyWee Software pursuant to the [License Agreement] terminated as well.” (Reply at 3.)
8 CyWee Motion insists that, “[r]egardless of whether the Patents-in-Suit are infringed or
9 not, CyWee Motion [Group] is still entitled to its property,” and HTC must return—*i.e.*,
10 destroy its copies of—the CyWee Software. (MSJ at 8.) HTC, for its part, argues that
11 CyWee Motion’s summary judgment motion is “premature” and that HTC is entitled to
12 conduct discovery into various areas related to HTC’s alleged right to continue
13 integrating the CyWee Software into its products. (*See* Resp. at 1.)

14 2. Rule 56(d) Analysis

15 Under Rule 56(d), if the nonmoving party “shows by affidavit or declaration that,
16 for specified reasons, it cannot present facts essential to justify its opposition, the court
17 may: (1) defer considering the motion or deny it; (2) allow time to obtain affidavits or
18 declarations or to take discovery; or (3) issue any other appropriate order.” Fed. R. Civ.
19 P. 56(d). A Rule 56(d) “continuance of a motion for summary judgment for purposes of
20 discovery should be granted almost as a matter of course unless the non-moving party has
21 not diligently pursued discovery of the evidence.” *Burlington N. Santa Fe R.R. Co. v.*
22 *Assiniboine & Sioux Tribes of the Fort Peck Reservation*, 323 F.3d 767, 773-74 (9th Cir.

2003) (internal quotation marks and citations omitted); *see also Metabolife Int'l, Inc. v. Wornick*, 264 F.3d 832, 846 (9th Cir. 2001) (“Although Rule 56(f)⁷ facially gives judges the discretion to disallow discovery when the non-moving party cannot yet submit evidence supporting its opposition, the Supreme Court has restated the rule as requiring, rather than merely permitting, discovery ‘where the nonmoving party has not had the opportunity to discover information that is essential to its opposition.’” (citing *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 250 n.5 (1986)) (footnote added). To prevail under Rule 56(d), “parties opposing a motion for summary judgment must make ‘(a) a timely application which (b) specifically identifies (c) relevant information, (d) where there is some basis for believing that the information sought actually exists.’” *Emp’rs Teamsters Local Nos. 175 & 505 Pension Trust Fund v. Clorox*, 353 F.3d 1125, 1129 (9th Cir. 2004) (quoting *VISA Int’l Serv. Ass’n v. Bankcard Holders of Am.*, 784 F.2d 1472, 1475 (9th Cir. 1986)).

HTC makes its Rule 56(d) request in its opposition to CyWee’s summary judgment motion and the accompanying declaration of HTC’s counsel, James C. Yoon. (*See generally* Resp.; Yoon Decl. ¶ 10.) The court finds that HTC satisfies all four requirements for relief under Rule 56(d).

First, HTC’s request is timely: it was filed within the time HTC had to oppose CyWee Motion’s summary judgment motion. (*See* MSJ at 1 (showing that CyWee

⁷ Effective December 1, 2010, Federal Rule of Civil Procedure 56(f) was renumbered 56(d). The Advisory Committee’s notes to Rule 56 with respect to the 2010 amendments state that “[s]ubdivision (d) carries forward without substantial change the provisions of former subdivision (f).” *See* Fed. R. Civ. P. 56 Advisory Comm. Notes.

1 Motion's motion was initially noted for December 28, 2018); Resp. at 24 (showing that
2 HTC filed its response on December 24, 2018)); *see also IVC Highlands TT, LLC v.*
3 *DirectBuy, Inc.*, No. C16-0327RAJ, 2016 WL 3690127, at *2 (W.D. Wash. July 12,
4 2016) (stating that a "request [is] timely if made prior to the summary judgment hearing"
5 (citations and quotations omitted)). CyWee Motion does not dispute that HTC timely
6 invoked Rule 56(d). (*See generally* Reply.)

7 Second, Mr. Yoon's declaration "specifically identifies" information that HTC
8 contends is essential to support its opposition to CyWee Motion's summary judgment
9 motion. *See Emp'rs Teamsters*, 353 F.3d at 1129; (Yoon Decl. ¶ 10.) HTC represents
10 that its discovery requests will clarify, among other issues: (1) the relationship between
11 CyWee Motion and its affiliates, and whether CyWe Motion, CyWee Motion, Inc., and
12 CyWee Tech are "collectively licensors or owners of the CyWee Software," as CyWee
13 Motion claims; (2) "[t]he nature and extent of any royalty payments" [REDACTED]
14 [REDACTED] under the License Agreement; (3) whether HTC may
15 [REDACTED]
16 [REDACTED]; and (4) "factual
17 issues underlying HTC's affirmative defense of equitable estoppel." (*Id.*; *see also* Resp.
18 at 13-17.)

19 CyWee Motion does not dispute that the fourth factor in the Rule 56(d) analysis—
20 that "there is some basis for believing that the information [HTC seeks] actually
21 exists"—is satisfied. *See Emp'rs Teamsters*, 353 F.3d at 1129; (*see generally* Reply.)
22 Rather, CyWee Motion appears to argue that the areas of discovery that HTC identifies

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1 are not relevant because, whatever discovery HTC might obtain, HTC cannot show that it
2 has a right to possess the CyWee Software in light of the termination of the License
3 Agreement. (See Reply at 2.) The court disagrees.

4 To begin, HTC's intended discovery into the relationship between CyWee Motion,
5 CyWee Motion Inc., CyWee Tech, and other CyWee affiliates is warranted. CyWee
6 Motion refers to CyWee Motion, CyWee Tech, and CyWee Motion, Inc. "collectively as
7 licensors or owners of the CyWee Software." (MSJ at 2 n.1.) To support the proposition
8 that CyWee Motion has an ownership interest in the CyWee Software, however, CyWee
9 Motion cites only the License Agreement and the Assignment. (See *id.* at 4, 9; see
10 generally *id.*) [REDACTED]
11 [REDACTED]

12 But, on the record before the court, the relationships between CyWee Motion and other
13 CyWee entities remain unclear. HTC is entitled to discovery into the nature of those
14 relationships, their bearing on the ownership of the CyWee Software, and whether
15 CyWee Motion has a property interest in the CyWee Software sufficient to confer
16 standing for its conversion and replevin claims. See *Davenport v. Wash. Educ. Ass'n*,
17 197 P.3d 686, 696 (Wash. Ct. App. 2008) (explaining that, to assert a conversion claim,
18 the plaintiff must "have a possessory or other 'property interest' in the chattel"); RCW
19 9.64.020(2).

20 Moreover, HTC is entitled to obtain discovery on its theory that [REDACTED]
21 [REDACTED]
22 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]

5 [REDACTED]
6 [REDACTED]

7 [REDACTED] That argument misses the point, however. [REDACTED]

8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]

14 HTC is entitled to further examine which CyWee affiliates received royalties from STM,
15 when the royalties ceased, if ever, and whether the royalties encompassed HTC's
16 post-termination use of the CyWee Software. These issues bear on whether HTC might
17 benefit from the [REDACTED]

18 CyWee Motion argues that HTC collaterally estopped itself from invoking the
19 protection of the License Agreement when HTC dismissed its claims against STM. (MSJ
20 at 8.) Specifically, CyWee Motion insists that "[a]ny rights HTC may have claimed
21 under the [License Agreement] are extinguished because HTC voluntarily and with
22 prejudice dismissed its claims that it was a third-party beneficiary of the [License

Agreement] and entitled to indemnity or contribution from the STM entities.” (*Id.* (emphasis omitted).) CyWee Motion is mistaken. “Issue preclusion, also known as collateral estoppel, ‘attaches only when an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment.’” *Amadeo v. Principal Mut. Life Ins. Co.*, 290 F.3d 1152, 1159 (9th Cir. 2002) (quoting *Arizona v. California*, 530 U.S. 392, 414 (2000)). “A voluntary dismissal of a claim prior to any adjudication and without any stipulated findings of fact does not actually litigate any issue.” *Id.* HTC voluntarily dismissed its claims against STM prior to any adjudication of those claims and without any stipulated findings of fact. (*See* Stip. MTD at 2-3.) Thus, in defending against CyWee Motion’s counterclaims, HTC is not precluded from arguing that HTC is a third-party beneficiary of the License Agreement.

Finally, as of the filing of CyWee Motion’s summary judgment motion, there was no indication that HTC had failed to diligently pursue its intended discovery. *See Burlington*, 323 F.3d at 773-74. CyWee Motion filed its summary judgment motion approximately two months after filing its counterclaims and just nine days after amending those claims. (*See* MSJ; CyWee Motion Countercl.; CyWee Motion Am. Countercl.) In his declaration, Mr. Yoon chronicles the discovery efforts HTC made before CyWee Motion filed its motion for summary judgment, as well as the discovery requests by HTC that were pending at the time it filed its opposition. (Yoon Decl. ¶¶ 6-10.) That HTC lacked facts “essential to justify its opposition,” *see* Fed. R. Civ. P. 56(d), reflected the relatively early date at which CyWee Motion filed its summary judgment motion rather than a failure to diligently pursue discovery.

For the foregoing reasons, the court concludes that HTC is entitled to relief under Rule 56(d). The court thus DENIES CyWee Motion's motion for summary judgment without prejudice to refiling, if appropriate, according to the timeline set forth in the prevailing scheduling order and as explained more fully in the penultimate section of this order. (See 8/7/18 Order (Dkt. # 101) at 2); *see infra* § III.B.2.

B. Cross-Motions to Stay

In light of the pending IPR proceedings, CyWee moves to stay CyWee Group's patent infringement claims against HTC and HTC's counterclaims for declaratory judgments of noninfringement and patent invalidity against CyWee Group (collectively, "the patent claims"). (CyWee MTS at 4-6; *see also* CyWee MTS Reply (Dkt. # 129) at 6-12.) Additionally, CyWee urges the court to stay HTC's third-party claims against CyWee Motion while allowing CyWee Motion's counterclaims against CyWee Motion to proceed. (CyWee MTS at 5-6.) HTC, in contrast, insists that a complete stay is warranted. (HTC MTS at 6-10; HTC MTS Reply (Dkt. # 130) at 1-6.) The court begins by considering whether to stay the patent claims.

1. Patent Claims

"Courts have inherent power to manage their dockets and stay proceedings," including the authority to stay a case pending IPR proceedings. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988); *Wre-Hol v. Pharos Sci. & Applications*, No. C09-1642MJP, 2010 WL 2985685, at *2 (W.D. Wash. July 23, 2010). To determine whether to grant such a stay, the court considers "(1) whether a stay will simplify the issues in question and the trial of the case, (2) whether discovery is complete and

whether a trial date has already been set, and (3) whether a stay will unduly prejudice or present a clear tactical disadvantage to the non-moving party.” *Pac. Bioscience Labs., Inc. v. Pretika Corp.*, 760 F. Supp. 2d 1061, 1063 (W.D. Wash. 2011). “The moving party bears the burden of demonstrating that a stay is appropriate.” *DSS Tech. Mgmt., Inc. v. Apple, Inc.*, No. 14-cv-05330-HSG, 2015 WL 1967878, at *2 (N.D. Cal. May 1, 2015).

The court finds each of the relevant factors weighs in favor of staying the patent claims. First, the IPR proceedings are likely to simplify the issues for trial. The PTAB already granted the IPR petitions. (CyWee MTS at 2.) Staying the case pending the outcome of IPR could clarify the scope of the patent claims, render some or all of the infringement claims moot, and provide the court with the PTAB’s expert opinion. *See Finjan, Inc. v. Symantec Corp.*, 139 F. Supp. 3d 1032, 1036 (N.D. Cal. 2015). Moreover, the stage of the litigation favors a stay. Although a trial date is set and the discovery cut-off near, the court has yet to hold a claims construction hearing, and the parties have not engaged in dispositive motions practice with respect to the patent claims.⁸ *See, e.g., PersonalWeb Techs., LLC v. Facebook, Inc.*, No. 13-cv-01356-EJD, 2014 WL 116340, at *3 (N.D. Cal. Jan. 13, 2014) (finding that the second factor favored a stay where “a claim construction order ha[d] been issued and the close of fact discovery [wa]s fast approaching” but “a substantial portion of the work—expert discovery, summary judgment, pre-trial preparation, and trial itself—l[ay] ahead”). Finally, HTC does not

⁸ After the parties filed their cross-motions to stay this matter, the court vacated the remaining claim construction deadlines. (*See* 3/6/19 Order (Dkt. # 125) at 2.)

1 argue that it will suffer prejudice if the court stays the patent claims. (*See generally* HTC
2 MTS; HTC MTS Reply.) Accordingly, the court STAYS, pending the outcome of the
3 IPR proceedings, CyWee Group's patent infringement claims against HTC and HTC's
4 counterclaims for declaratory judgments of noninfringement and patent invalidity against
5 CyWee Group.

6 2. Non-Patent Claims

7 The court now confronts the more difficult question whether to extend the stay to
8 the parties' non-patent claims—that is, HTC's third-party claims against CyWee Motion
9 for contribution and unfair competition, and CyWee Motion's counterclaims against HTC
10 for conversion, replevin, unjust enrichment, and declaratory judgment of unauthorized
11 possession. The parties appear to agree that HTC's third-party claims against CyWee
12 Motion are sufficiently related to the patent claims to warrant a stay of those claims.⁹
13 (*See* CyWee Motion MTS at 4; HTC MTS at 9.) Accordingly, the parties' dispute
14 centers on whether the court should stay CyWee Motion's counterclaims against HTC, in
15 addition to the parties' other claims, and thereby stay the entire action.

16 Even outside the IPR context, “[a] district court has inherent power to control the
17 disposition of the causes on its docket in a manner which will promote economy of time
18 and effort for itself, for counsel, and for litigants.” *CMAX, Inc. v. Hall*, 300 F.2d 265,
19 268 (9th Cir. 1962). Considerations of judicial economy alone, however, are generally

20
21 ⁹ However, HTC appears to argue that, should the court choose not to stay CyWee
22 Motion's counterclaims against HTC, it should likewise decline to stay HTC's third-party claims
against CyWee Motion. (*See* HTC MTS Reply at 1.) The court need not reach that argument,
given the parameters of the stay the court imposes, as described below.

insufficient to warrant a stay. *See Dependable Highway Exp., Inc. v. Navigators Ins. Co.*, 498 F.3d 1059, 1066 (9th Cir. 2007). The court must also consider “the possible damage which may result from the granting of a stay, the hardship or inequity which a party may suffer in being required to go forward, and the orderly course of justice measured in terms of the simplifying or complicating of issues, proof, and questions of law which could be expected to result from a stay.” *CMAX*, 300 F.2d at 268 (citing *Landis v. N. Am. Co.*, 299 U.S. 248, 254-55 (1936)).

At the outset, the court acknowledges CyWee’s argument that, even if the PTAB were to invalidate the Patents-in-Suit, CyWee Motion’s counterclaims against HTC “would survive unaffected.” (CyWee MTS Reply at 1.) The court cannot evaluate the merits of that argument because the parties have failed to provide any evidence that sheds light on the relationship between the Patents-in-Suit and the CyWee Software. Both parties imply that the Patents-in-Suit are not coextensive with the CyWee Software, and that the License Agreement encompassed more than simply a license to practice the Patents-in-Suit. (*See* HTC MTS at 2; CyWee MTS Reply at 2-3.) But the role of the Patents-in-Suit within the CyWee Software remains unclear; and, on the limited record before the court, the court cannot with confidence rule out the possibility that outcome of the IPR proceedings may have some bearing on CyWee Motion’s counterclaims against HTC.

Moreover, the court finds that considerations of judicial efficiency and “the orderly course of justice” favor a complete stay. *See CMAX*, 300 F.2d at 268. Should the court allow CyWee Motion’s counterclaims to proceed, it would create the potential for

two trials on factually intertwined causes of action: one on CyWee Motion's allegations that HTC has wrongfully retained the CyWee Software, and one on CyWee Group's patent infringement claims against HTC and HTC's unfair competition and contribution claims against CyWee Motion. These claims are best tried together, however. CyWee Group's patent infringement claims, HTC's unfair business practices claim, and CyWee Motion's counterclaims all arise from the same transaction: CyWee Motion's provision of the CyWee Software to HTC.¹⁰ Relatedly, with respect to both the patent infringement claims and CyWee Motion's counterclaims, HTC's affirmative defenses pivot on the [REDACTED], as well as the alleged, years-long development relationship between CyWee Motion and HTC. In light of these factual commonalities, separate trials would risk confusing the complex relationships among the parties and substantially duplicating the court's and the parties' time and effort. *See, e.g., PopSockets LLC v. Quest USA Corp.*, No. 17-CV-3653 (FB) (CLP), 2018 WL 4660374, at *2 (E.D.N.Y. Sept. 28, 2018) (declining to stay the plaintiff's non-patent claims pending IPR proceedings because "the underlying factual disputes are intertwined"); *Armor All/STP Co. v. Aerospace Commc'ns Holdings Co.*, No. 6:15-CV-781, 2016 WL

¹⁰ CyWee Motion's counterclaims against HTC thus appear to be "compulsory" within the meaning of Federal Rule of Civil Procedure 13(a). *See* Fed. R. Civ. P. 13(a) (stating that a compulsory counterclaim is one that "arises out of the transaction or occurrence that is the subject matter of the opposing party's claim"). To allow CyWee Motion's counterclaims to proceed while staying the remaining claims would risk defeating Rule 13's purpose to prevent "a substantial duplication of effort and time by the parties and the courts." *See Interlabservice, OOO v. Illumina, Inc.*, No. 15cv2171-KSC, 2017 WL 4217133, at *5 (S.D. Cal. Sept. 20, 2017) (quoting *Transamerica Occidental Life Ins. Co. v. Aviation Office of Am., Inc.*, 292 F.3d 384, 389-390 (3d Cir. 2002)).

6397269, at *4 (E.D. Tex. Oct. 28, 2016) (staying factually related patent and non-patent claims).

The court also finds that a complete stay will not unduly prejudice CyWee.

CyWee contends that, “if this case were stayed in its entirety, CyWee Motion would be unfairly deprived of the opportunity to request, in a timely manner, an order requiring that HTC return the CyWee Software and stop using it.” (CyWee MTS at 6; *see also* CyWee MTS Reply at 10-11.) That CyWee Motion elected not to pursue preliminary injunctive relief against HTC on its conversion and replevin claims undercuts its assertion that it must “obtain resolution of those claims as quickly and efficiently as possible.” (CyWee MTS at 6); *see Tradesman Int’l v. Black*, 724 F.3d 1004, 1012-13 (7th Cir. 2013) (noting that the plaintiff’s decision to not seek preliminary injunctive relief “suggests that [the plaintiff] has not suffered irreparable harm”). Furthermore, a stay pending IPR is not indefinite; the PTAB must issue a final determination within a year—or 18 months “for good cause shown”—of the date when the PTAB notices the institution of IPR proceedings. *See* 35 U.S.C. § 316(a)(11). The court acknowledges, however, that CyWee Motion has a legitimate interest in obtaining a decision on the merits of its summary judgment motion, which was pending for longer than the time within which the court endeavors to address such motions. (*See* MSJ.) The court also observes that CyWee Motion filed its summary judgment motion before the PTAB granted the IPR petitions and before the parties filed their cross-motions for a stay. (*See id.*; CyWee MTS at 2.)

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Accordingly, the court imposes a stay with the following parameters: The court will permit CyWee Motion to refile its motion for summary judgment before the dispositive motions deadline, currently set for July 2, 2019. (*See* 8/7/18 Order at 2.) If CyWee Motion does not refile its summary judgment motion or the court does not grant the motion in full, then the court will stay CyWee Motion's counterclaims pending the outcome of the IPR proceedings. In light of the court's ruling on HTC's request for relief under Rule 56(d), *see supra* § III.A.2, HTC is entitled to respond to CyWee Motion's summary judgment motion with any discovery it obtains before the June 18, 2019, discovery cut-off (*see id*). In other words, the court does not stay discovery related to CyWee Motion's summary judgment motion. However, all other discovery is stayed. The court further STAYS CyWee Group's patent infringement claims against HTC, HTC's counterclaims against CyWee Group, and HTC's third-party claims against CyWee Motion pending the IPR proceedings.

C. Provisionally Filed Under Seal

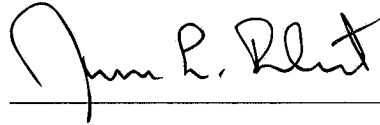
Because this order relies on materials filed under seal, the court DIRECTS the Clerk to provisionally file the order the seal. The court ORDERS counsel to meet and confer regarding which, if any, portions of this order they seek redact. Counsel must then submit one joint statement or, if they cannot agree on a joint statement, competing statements indicating the portions of the order they seek to have redacted and on what basis. *See Kamakana v. City & Cty. of Honolulu*, 447 F.3d 1172, 1179-80 (9th Cir. 2006). The statement or statements must attach a proposed redacted order that incorporates the redactions requested in the corresponding statement. The parties must

1 file any such statement within 14 days of the date of this order. The court will consider
2 the parties' redaction requests, if any, and then file the order on the docket with any
3 necessary redactions.

4 IV. CONCLUSION

5 For the foregoing reasons, the court DENIES CyWee Motion's motion for
6 summary judgment (Dkt. # 107) without prejudice to refile before the dispositive
7 motions deadline. The court further GRANTS in part and DENIES in part CyWee's
8 motion for a partial stay (Dkt. # 123) and GRANTS in part and DENIES in part on
9 HTC's motion for a complete stay (Dkt. # 126). The court VACATES the trial date and
10 related pretrial dates in this matter, except for the discovery cut-off and the dispositive
11 motions deadline. In addition, the court DIRECTS the Clerk to provisionally file this
12 order under seal and ORDERS the parties to meet and confer regarding the need for
13 redaction and, within 14 days of the date of this order, to indicate any such need as
14 described above.

15 Dated this 13th day of June, 2019.

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18 The Honorable James L. Robart
19 U.S. District Court Judge
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